

HALIFAX OFFICE

Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
Halifax Employment	223K	225K	▲
Halifax Unemployment	7.2%	6.1%	▼
Canada Unemployment	7.3%	6.7%	▼

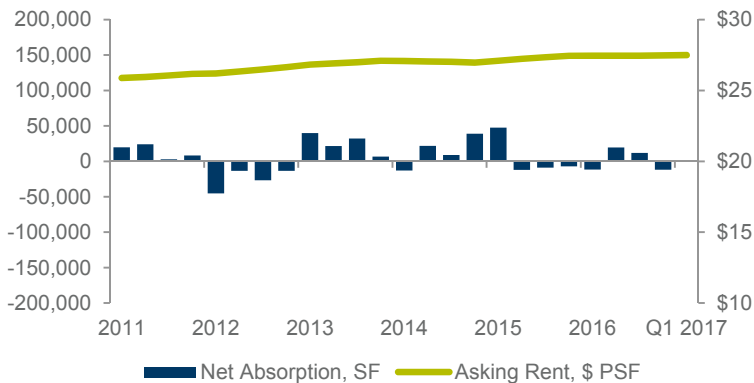
Market Indicators (Overall, All Classes)

	Q1 16	Q1 17	12-Month Forecast
Overall Vacancy	13.6%	15.8%	▼
Net Absorption (sf)	(37,020)	7,470	▼
Under Construction (sf)	697,000	465,000	▼
Average Asking Rent*	\$26.44	\$27.59	▲

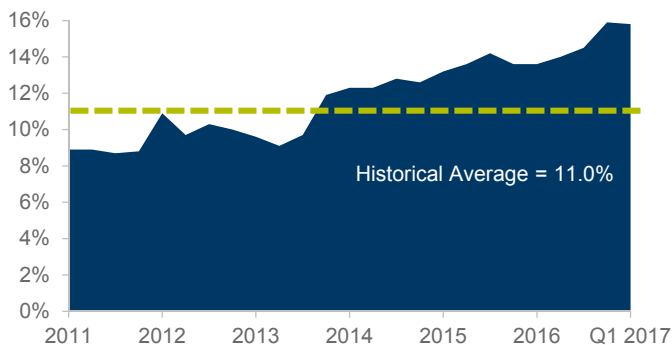
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

According to RBC Economics, Nova Scotia's economic growth will see a slight increase in 2017 of 0.8%, accelerating to 1.2% in 2018. Looking further ahead to 2019, it is anticipated that GDP growth will remain close to what will be achieved in 2018. Over the past three years, economic growth in Nova Scotia has been consistent due to the continuation of construction throughout Halifax, and particularly because of the new \$500 million dollar Nova Centre development which is aiming for a completion date of later this year. In the non-residential sector, there are two key projects that will wrap up this year - the re-decking work on the Macdonald Bridge, and the construction work on the Maritime Link. RBC Economics is expecting manufacturing to remain a source of strength for Nova Scotia because of the ongoing shipbuilding activity, as well as both the tire and food manufacturing sectors boosting output.

Market Overview

Nova Scotia's office market remained relatively steady from Q4 2016, with the overall vacancy rate dropping only by a 0.1 percentage point from 15.9% to 15.8%. Even though the market remains stable, there were a few small notable changes within some of the submarkets located in Halifax. The vacancy rate for the Suburban Halifax submarket slightly declined from 14.2% in Q4 2016 to 13.8% this quarter. A contributing factor to the decline in vacancy was in part because of a mixture of tenants moving into 7051 Bayers Road, including an accounting firm and a disability cooperative firm. In the Burnside submarket, 239 Brownlow Avenue gained a new tenant - BDO International - where they occupied the entire ground floor of 6,000 square feet (SF). In the Central Business District, a decline in vacancy at TD Centre and the Bank of Montreal tower combined for over 25,000 SF of positive absorption.

Outlook

TD Economics has reported that Nova Scotia's tourism industry has benefitted from the weak Canadian Dollar, which has also helped lift retail spending throughout the region. Over the last year Nova Scotia has had negative job growth. RBC Economics states that the full-time employment rate in Nova Scotia dropped by 1.2% in 2016. However, there is hope that the labour force will see improvement in 2017 due to the recent spike in immigration that has boosted Nova Scotia's population. Supply shock to the office market will likely occur when Nova Centre comes online, followed by Queens Marque in 2019/20. Vacancy rates are anticipated to rise to surpass 20%, then correct in the following months due to a combination of absorption of this newly constructed space and supply corrections.

MARKETBEAT

Halifax, Nova Scotia

Office Q1 2017


 CELEBRATING
100
 YEARS

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Halifax-Central Business District	56	5,781,605	113,474	759,659	15.1%	(23,678)	(23,678)	465,000	\$29.10	\$34.16
Halifax-Suburban	31	2,515,542	102,957	244,795	13.8%	9,787	9,787	0	\$27.34	\$29.02
Dartmouth	42	2,796,112	9,376	437,797	15.3%	17,561	17,561	0	\$25.26	\$27.57
Bedford	20	885,213	1,180	221,733	25.2%	3,800	3,800	0	\$25.56	\$26.29
Total Suburban Area	93	6,196,867	113,513	904,325	16.4%	31,148	31,148	0	\$26.17	\$27.91
HALIFAX TOTALS	149	11,978,472	226,987	1,663,984	15.8%	7,470	7,470	465,000	\$27.59	\$30.57

*Rental rates reflect gross asking \$psf/year

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS	OVERALL AVERAGE ASKING RENT *
Class A	58	5,040,976	80,955	763,620	16.8%	18,437	18,437	465,000	0	\$30.57
Class B	63	5,595,737	144,427	670,887	14.6%	(4,472)	(4,472)	0	0	\$25.82
Class C	28	1,341,759	1,605	229,477	17.2%	(6,495)	(6,495)	0	0	\$23.37

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1809 Barrington Street	5,300	Kelly Services	Lease	Halifax - CBD

Key Projects Under Construction

PROPERTY	SF	TENANT	COMPLETION DATE	SUBMARKET
Nova Centre	360,000	BMO; TBD	Q4 2017	Halifax
Queen's Marque	105,000	TBD	Q3 2019	Halifax

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